



Parker-Davis Project

Informal Rate Meeting

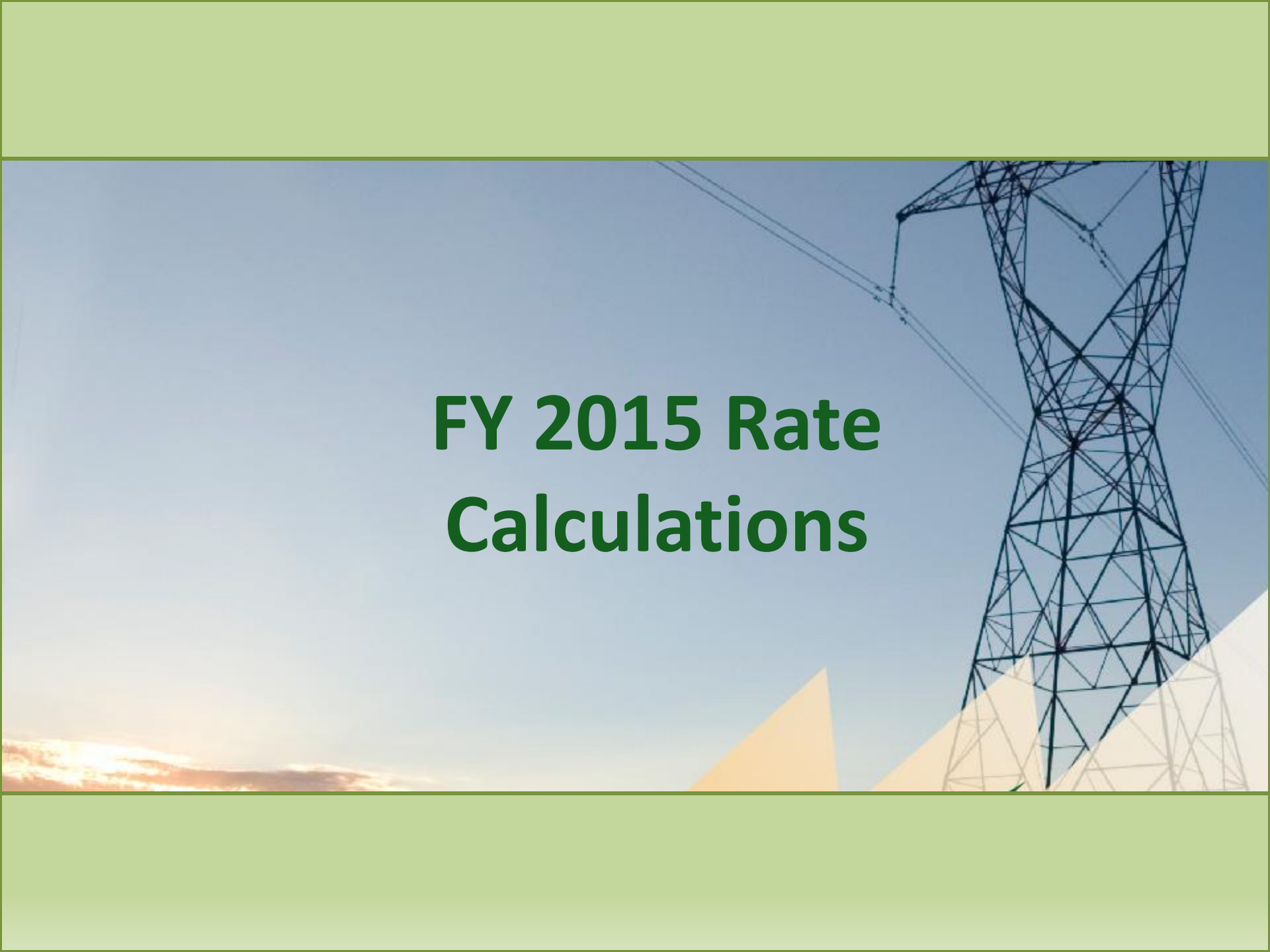
June 30, 2014





Meeting Agenda

- FY 2015 Rate Calculations
 - Ratemaking Assumptions
 - Rate Determinants
 - Preliminary Rates
- Rate Outlook/Sensitivities
- Rate Methodology Refinements
- Next Steps and Questions

The background of the slide features a photograph of a high-voltage power transmission tower, also known as a pylon, silhouetted against a clear blue sky. The sun is setting in the lower-left corner, creating a warm orange and yellow glow. Several semi-transparent, light-colored geometric shapes, including triangles and polygons, are overlaid on the bottom right portion of the image. The title text is centered in the middle of the slide.

FY 2015 Rate Calculations



Standard Ratemaking Assumptions

- Actual work plans are used for O&M expenses when available. Work plans are escalated for inflation in remaining years of cost evaluation period
- Ten-Year Plan information from Western and Reclamation is used to project capital costs
- Costs not readily identified as generation or transmission are allocated via the Cost Apportionment Study
- Transmission and generation sales estimates are based on contractual values



Reclamation Ten-Year Plan

- Information today is based on Reclamation's Ten-Year Plan (TYP) presented at the AOF Planning Board meeting in February
- We are aware that Reclamation has amended their TYP and will present the changes to the AOF Funding Board in July
- We did not use the amended TYP in the rate calculations since it has not yet been vetted/discussed with the customers
- As we do each year, the rates will be updated based on the Ten-Year Plan approved at the Funding Board



Western O&M/Rate Methodology

FY 2015 rates will benefit from increased carryover and reduced expenses:

- We successfully implemented the rate methodology refinements presented last year, resulting in a \$21.1m reduction in expenses in FY 2013
- FY 2016 Western O&M budget minimally increased from FY 2015, reducing our projected expenses by \$5m during the rate window



Transmission Rate Determinants

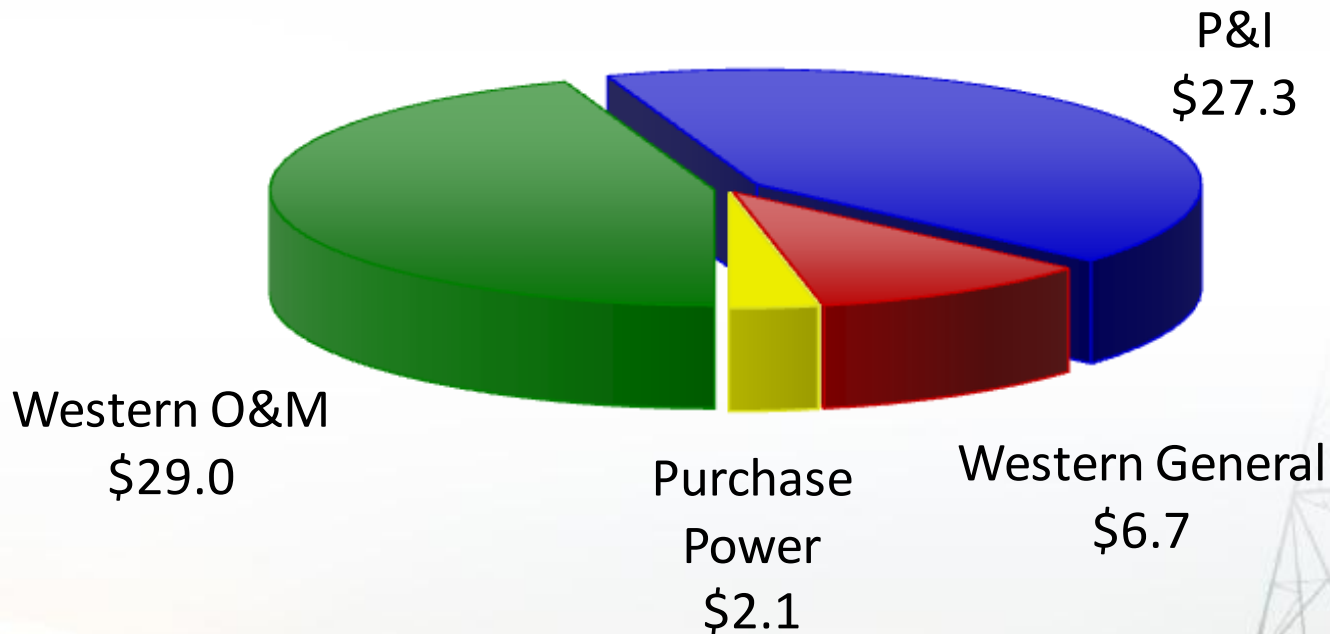
Average Annual Expenses (in millions)

	FY14-18	FY15-19	Change
Western O&M	\$28.7	\$29.0	\$ 0.3
Western General	\$ 6.8	\$ 6.7	\$ (0.1)
CME & Multi-Project	\$ (1.2)	\$ (1.4)	\$ (0.2)
Purchase Power/Wheeling	\$ 2.5	\$ 2.1	\$ (0.4)
P&I	\$27.8	\$27.3	\$ (0.5)
Total	\$64.6	\$63.7	\$ (0.9)



Transmission Rate Determinants

Average Annual Expenses (in millions)



Total: \$63.7 million (Including -\$1.4 million of CME & Multi)



Transmission Rate Determinants

Average Annual Other Revenue, Carryover and Reservations (\$ in millions)

	FY14-18	FY15-19	Change
Other Revenue	\$ 9.7	\$10.0	\$ 0.3
Carryover/Credits	\$ 8.4	\$ 6.3	\$ (2.1)
Total	\$18.1	\$16.3	\$ (1.8)

Reservations (MW)	3,033	3,084	51
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Generation Rate Determinants

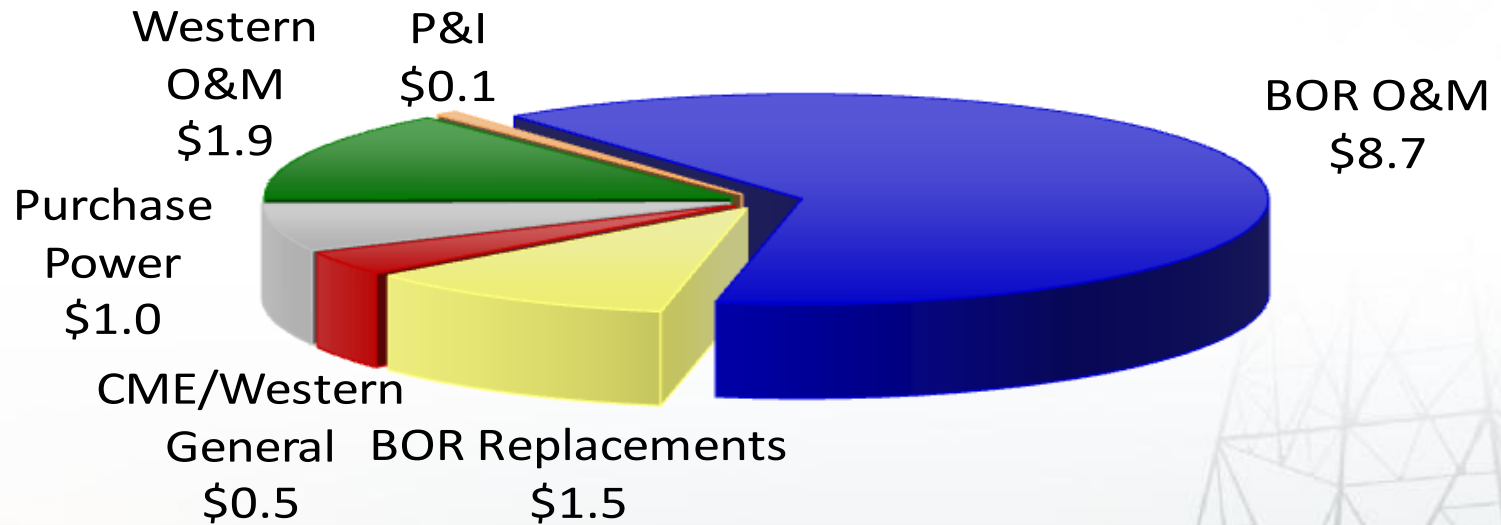
Average Annual Expenses (in millions)

	FY14–18	FY15–19	Change
Western O&M	\$ 1.8	\$ 1.9	\$ 0.1
BOR O&M	\$ 8.5	\$ 8.7	\$ 0.2
Purchase Power	\$ 1.0	\$ 1.0	-
CME & Western General	\$ 0.5	\$ 0.5	-
BOR Replacements	\$ 1.5	\$ 1.5	-
P&I	\$ 0.1	\$ 0.1	-
Total	\$13.4	\$13.7	\$ 0.3



Generation Rate Determinants

Average Annual Expenses (in millions)



Total: \$13.7 million



Generation Rate Determinants

Average Annual Other Revenue, Carryover and Reservations (\$ in millions)

	FY14-18	FY15-19	Change
Other Revenue	\$ 0.2	\$ 0.2	-
Carryover/Credits	\$ 1.1	\$ 1.4	\$ 0.3
Total	\$ 1.3	\$ 1.6	\$ 0.3

Reservations (GWh)	1,425	1,425	-
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Fiscal Year 2015 Rates

	Current (FY14)	Proposed (FY15)	Change
Firm Transmission (kW- Month)	\$1.28	\$1.28	-
Energy (mills/kWh)	4.24	4.24	-
Capacity (kW-Month)	\$1.86	\$1.86	-
Firm Power Composite w/o Transmission (mills/kWh)	8.48	8.48	-

The background of the slide features a photograph of a high-voltage power transmission tower, also known as a pylon, silhouetted against a clear blue sky. The sun is setting or rising in the lower-left corner, creating a warm, orange glow. Several semi-transparent, light-colored geometric shapes, including triangles and polygons, are overlaid on the bottom right portion of the image. The title text is centered in the upper half of the slide.


Rate Outlook/Sensitivities



Rate Outlook/Sensitivities

Although we did not need to adjust the rates for FY 2015, we are still facing upward rate pressure due to:

- Additional capital costs (rebuilding of system)
- Declining carryover balance

The background of the slide features a photograph of a high-voltage power line tower. The tower is a complex lattice structure, silhouetted against a sky that transitions from a pale blue at the top to a warm orange and yellow near the horizon, suggesting a sunset or sunrise. In the lower right portion of the image, there are several overlapping, semi-transparent geometric shapes, including triangles and polygons, in shades of light orange and cream. The entire slide is framed by a solid light green border at the top and bottom.

Rate Methodology Refinements



Rate Methodology Refinements

With your help, we have successfully implemented three methodology refinements

Fiscal Year	Savings in millions
2013	\$ 21.1
2014 (est.)	\$ 1.7
2015 – 2019 (est.)	\$ 14.0
Total	\$ 36.8



Rate Methodology Refinements

- Once the FY 2015 rate calculations are finalized, we will resume our efforts to refine the rate methodology
- At our next meeting, we will present different repayment structures and their impact to our principal and interest costs
- We are also working through additional refinement ideas and we welcome any customer-driven ideas
- Note: If found acceptable, any significant changes in methodology will be adopted by public process

The background of the slide features a photograph of a high-voltage power transmission tower. The tower is a complex lattice structure, positioned on the right side of the frame and extending towards the top. The sky is a gradient of light blue and pale yellow, suggesting a sunset or sunrise. In the bottom left corner, there are soft, orange-tinted clouds. Overlaid on the bottom right of the image are several semi-transparent, light-colored geometric shapes, including triangles and polygons, which add a modern, abstract design element to the slide.

Next Steps and Questions/Comments



Next Steps

- Information regarding the P-DP rates to be posted on Western's website:
<http://www.wapa.gov/dsw/Rates/PDRateAdjust.htm>
- Advancement of Funds Funding Board - 7/17/2014
- Proposed rates will be finalized in July/August and become effective for the October 2014 service month
- Meetings later this year to continue our rate methodology refinement efforts



Questions/Comments

Western Contacts:

Jack Murray

602-605-2442

jmurray@wapa.gov

Scott Lund

602-605-2441

slund@wapa.gov